



Science and the stock market: Investors' recognition of unburnable carbon

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*Room LG07, Lower Ground Floor, Tyree Energy Technologies Building (H6), UNSW

Abstract

This paper documents the stock market's reaction to findings reported in a 2009 article in the prestigious *Nature* journal of science reporting that only a fraction of the world's existing oil, gas, and coal reserves could be emitted if global warming by 2050 were not to exceed 2°C above pre-industrial levels. The *Nature* article is now one of the most cited environmental science studies in recent years. Our analysis indicates that this publication prompted at most an average drop in stock price of 2% for our sample of the 63 largest U.S. oil and gas companies. Later, in 2012-2013, the press "discovered" this article, and then wrote hundreds of stories on the grim consequences of unburnable carbon for fossil fuel companies. We show only a small negative reaction to these later stories, mostly in the two weeks following their publication. This limited market response contrasts with the predictions of some analysts and commentators of a substantial decline in the shareholder value of fossil fuel firms from a carbon bubble. Our paper discusses possible reasons for this discrepancy.

Biographical sketch of Professor David Lont

Professor David Lont has been a member of the Department of Accountancy and Finance at the University of Otago since 1989. He is an active member of the Chartered Accountants, Australia and New Zealand and served on the AFAANZ board from 2008-2014, serving as New Zealand president from 2011-2014. His current research interests are primarily in capital markets, and the economics of financial reporting and auditing. He has published papers in leading journals including *Accounting and Finance* winning the Peter Brownell prize for best paper in 2010, and runner-up prizes in 2009 and 2011. He has also published in *Abacus*, *Accounting Forum*, *Asia Pacific Journal of Accounting and Economics*, *Auditing, A Journal of Practice and Theory*, *Journal of Contemporary Accounting and Economics*, the *Journal of Accounting Education*, and *Pacific Accounting Review*.

This event is organised by the **Centre for Energy and Environmental Markets (CEEM)** at UNSW. CEEM seeks to provide Australian leadership in interdisciplinary research in the design, analysis and performance monitoring of energy and environmental markets and their associated policy frameworks. It involves researchers from the Faculties of Engineering, Business, Sciences, Social Sciences and Law.

All visitors are welcome although we ask you to register your attendance at:
http://form.business.unsw.edu.au/index.php?survey_code=421d6b07&login=1

***Directions:** Room LG07 is on the lower ground floor of the Tyree Energy Technologies Building (H6), which abuts Anzac Parade at the Kensington Campus. A map is available at <http://www.facilities.unsw.edu.au/Maps/maps.ht>